

Message Text

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PAGE 01 LIMA 11455 220001Z
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FOR S/P - DR. EINAUDI: ARA - MR. SHLAUDEMAN: TREASURY -
MR. MARESCA

E.O. 11652: N/A
TAGS: EINV, BDIS, ENRG, PE
SUBJECT: GULF: GOP WILLING, BUT CAN'T GET IT TOGETHER

REF: A) STATE 298249: B) FULLER/LANE DEC. 16
TELECON

SUMMARY: AMBASSADOR RAISED GULF CASE WITH ENERGY AND
MINES MINISTER LA TORRE: ECON OFFICER DID SAME WITH FINANCE
VICE MINISTER, AND PASSED ON COPY OF GULF LETTER. ECON
OFFICER ALSO BRIEFED CENTRAL BANK PRESIDENT ON ISSUE. ALL
GOP OFFICIALS AGREED ON NEED FOR QUICK SETTLEMENT, BUT NONE
OFFERED HOPE THAT SOLUTION WOULD COME SOON. END SUMMARY.

1. DURING RECEPTION AT GRADUATING CEREMONY OF PERU'S SENIOR
ARMED SERVICE COLLEGE DEC. 16, AMBASSADOR RAISED GULF CASE
WITH MINISTER OF ENERGY AND MINES GENERAL ARTURO LA TORRE DI
TOLLA. AMBASSADOR INFORMED LA TORRE THAT ISSUE HAD BEEN
PLACED ON AGENDA OF CIEP EXPROPRIATION SUB-COMMITTEE
(PER REF B) AND EXPLAINED THAT THIS SIGNIFIED THAT
GULF CASE WAS ASSUMING CHARACTERISTICS OF MARCONA AFFAIR,
WITH ALL POSSIBLE ADVERSE EFFECTS FOR U.S.-PERU RELATIONS
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PAGE 02 LIMA 11455 220001Z

THAT LATTER CASE HAD ENTAILED. AMBASSADOR ALSO NOTED THAT
WE HAVE BEEN INFORMED THAT GOP HOPES TO HAVE CLOSE AND
FRIENDLY RELATIONSHIP WITH NEW U.S. ADMINISTRATION AND
POINTED OUT THAT PROMPT RESOLUTION OF GULF CASE WOULD
HELP CLEAR GOP PATH IN THIS ENDEAVOR.

2. LA TORRE AGREED WITH AMBASSADOR'S POINTS AND SAID THAT GOP IS WORKING TO FIND A SOLUTION. HE SAID THAT HE, FOREIGN MINISTER DE LAPUENTE AND FINANCE MINISTER BARUA HAD MET ON THE MATTER AND ASSURED AMBASSADOR THAT GOP IS SEIZED WITH ISSUE. LA TORRE SAID HE WOULD DISCUSS ISSUE WITH COLLEAGUES AGAIN DURING NEXT FEW DAYS AND REQUESTED THAT AMBASSADOR TELEPHONE HIM FOR PROGRESS REPORT. AMBASSADOR WILL TELEPHONE LA TORRE P.M. DEC. 20.

3. ECON OFFICER DEC. 17 PASSED COPY OF GULF'S NOV. 11 LETTER TO FINANCE VICE MINISTER KEIL (WITH CHANGE INDICATED PER PARA. 2 REFTEL A) AND TOOK OPPORTUNITY TO INFORM KEIL OF UPCOMING CIEP CONSIDERATION OF GULF CASE. HE SAID THAT CIEP ACTION NOT ONLY DEMONSTRATED EMBASSY AND STATE DEPARTMENT DISAPPOINTMENT WITH CONTINUING DELAY IN SETTLEMENT, BUT SHOWED THAT OTHER ENTITIES IN U.S., BOTH IN AND OUTSIDE OF

GOVERNMENT, WERE BECOMING INCREASINGLY IRRITATED WITH APPARENT GOP INACTION.

4. KEIL AGREED THAT THERE WAS CAUSE FOR IRRITATION AND FRUSTRATION. HE REPEATED ASSURANCES THAT GOP WISHED TO SETTLE CASE AND REQUESTED THAT WE BE PATIENT, SINCE, DESPITE APPEARANCE OF INACTION, GOP WAS INDEED GIVING SERIOUS ATTENTION TO MATTER. KEIL CLAIMED THAT GULF WAS ONE OF FOUR SIMILAR CASES THAT GOP WAS TRYING TO WRAP UP IN ONE DECREE LAW. (THE OTHER CASES INVOLVE COMPENSATION PAYMENTS FOR TWO EXPROPRIATED FISHING BOATS--ONE FRENCH--OWNED AND ONE JAPANESE--OWNED--AND A FORMER DUTCH--OWNED ELECTRIC COMPANY. ACCORDING TO KEIL, RESOLUTION OF ALL 4 CASES LIMITED OFFICIAL USE

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PAGE 03 LIMA 11455 220001Z

DEPENDS UPON OVERCOMING THE PROBLEM OF A REDUCED COMPENSATION PAYMENT RESULTING FROM SOL DEVALUATION. KEIL CLAIMED JAPANESE CASE WAS PARTLY RESPONSIBLE FOR DELAY IN PERU OBTAINING JAPANESE BANKS' PORTION OF BALANCE OF PAYMENTS LOAN.) KEIL SAID THAT HE HAS PREPARED DRAFT DECREE WHICH WOULD SET EXCHANGE RATE FOR COMPENSATION IN ALL 4 CASES AT THAT RATE WHICH WAS IN EFFECT AT TIME OF EXPROPRIATIONS, AND THAT DRAFT WAS BEING CONSIDERED WITHIN GOP. KEIL ALSO CLAIMED THAT MINISTERS OF FINANCE, FOREIGN RELATIONS, AND ENERGY AND MINES HAD MET AND DISCUSSED QUESTION. HOWEVER, HEIL COULD GIVE NO INDICATION ON WHEN (OR IF) DECREE LAW WOULD BE PROMULGATED.

5. AS SUGGESTED REF A. ECON OFFICER BRIEFED CENTRAL BANK PRESIDENT SANTISTEVAN ON CASE. SANTISTEVAN ALSO AGREED THAT ISSUE SHOULD BE REESOLVED PROMPTLY, BUT HE CLAIMED THAT HE DID NOT HAVE INFLUENCE IN MATTER, SINCE HE HAD NOT BEEN INVOLVED UP TO NOW. SANTISTEVAN SEEMED SURPRISED

TO LEARN THAT GOP WAS CONTEMPLATING A SOLUTION THAT WOULD GRANT GULF EXCHANGE RATE WHICH WAS IN EFFECT AT TIME OF EXPROPRIATION, CLAIMING THAT SWISS GOVERNMENT HAS RECENTLY CONCURRED IN A SETTLEMENT IN WHICH GOP INSISTED ON MAINTAINING CURRENT EXCHANGE RATE. HE DID NOT APPEAR CONVINCED BY ARGUMENT THAT GULF CASE COULD ADVERSELY AFFECT PERU'S CREDITWORTHINESS, INDICATING INSTEAD THAT HE FELT THAT AT THIS TIMEE THE MAJOR U.S. BANKS WERE RELATIVELY SATISFIED WITH THE GOP'S EFFORTS IN THIS AREA (MEANING MARCONA AS WELL AS THE ECONOMIC RECOVERY PROGRAM) AND THAT, DESPITE OUR REPRESENTATIONS, THE BANKS WERE NOT VERY CONCERNED ABOUT GULF.

6. COMMENT: A. WE DO NOT DOUBT GOP'S SINCERITY IN WANTING TO RESOLVE THIS PROBLEM SOON. WE THINK PRINCIPAL OFFICIALS INVOLVED HAVE DECIDED ON DECREE LAW SOLUTION DESCRIBED

BY KEIL. HOWEEVER, THIS ROUTE GOES COUNTER TO PREVAILING GOP POLICY AND CONTRASTS WITH AT LEAST ONE RECENT SETTLE-LIMITED OFFICIAL USE

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PAGE 04 LIMA 11455 220001Z

MENT (SANTISTEVAN'S SWISS CASE), SO IT APPEARS THHAT KEIL, ET AL, ARE RELUCTANT TO PRESENT THIS SOLUTION TO COUNCIL OF MINISTERS. NEVERTHELESS, WITH MOUNTING PRES-SURE FROM US AS WELL AS OTHER GOVERNMENTS INVOLVED, WE EXPECT GOP WILL TAKE DEFINITE ACTION IN NEXT FEW WEEKS FOLLOWING HOLIDAY DOLDRUMS.

B. GOP AT VARIOUS LEVELS HAS BEEN AWARE FOR MANY MONTHS OF HIGH LEVEL USG INTEREST IN SOLUTION TO GULF CASE. LATEST REPRESENTATIONS DESCRIBED ABOVE WILL REINFORCE THIS AWARENESS OF OUR CONCERN. THUS WE DO NOT BELIEVE THAT DIPLO-MATIC NOTE WOULD BE USEFUL RIGHT NOW. HOWEVER, IF THERE IS NO PERCEIVABLE ACTION BY GOP WITHIN REASONABLE TIME AFTER HOLIDAY PERIOD WE WOULD CONSIDER GOING FORWARD WITH A NOTE AT THAT TIME.
DEAN

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